

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05  
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00  
L-03 CIAE-00 INR-07 NSAE-00 IGA-02 /071 W  
-----025966 211241Z /50

P 211000Z JUN 77

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC PRIORITY 1833

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E.O. 11652: N/A

TAGS: EINV, NI

SUBJECT: AIEC CASE; DEMARCHE TO FMG

REF: STATE 138118

1. GIVEN FMG SENSITIVITIES TO OFFICIAL REPRESENTATIONS ON NATIONALIZATION ISSUES, EMBASSY OPTED TO EXPLORE BEST APPROACH TO AIEC PROBLEM THROUGH MINISTRY OF EXTERNAL AFFAIRS. IN ANY CASE, AMBASSADORS ARE ENJOINED TO DEAL THROUGH MEA IN ALL CASES OF DEMARCHES TO BE MADE AT COMMISSIONER LEVEL. SINCE COMMISSIONER GARBA WAS OUT OF TOWN LAST WEEK AND NOW ABOUT TO LEAVE AGAIN, AMBASSADOR BOOKED APPOINTMENT WITH DIRECTOR ECONOMIC DEPARTMENT AFOLOBI JUNE 20.

2. AFOLABI GAVE SYMPATHETIC HEARING TO AMBASSADOR'S REMARKS AND PARTICULARLY APPRECIATED ALICO FLEXIBILITY IN CONSIDERING A TECHNICAL ASSISTANCE AND CONSULTING SERVICES AGREEMENT AS PART OF A MUTUALLY ACCEPTED NEGOTIATED SETTLEMENT. IN MAKING PRESENTATION AMBASSADOR POINTED OUT THAT TECHNICAL ASSISTANCE AND CONSULTING SERVICES AGREEMENT HAS BEEN IN EFFECT SINCE 1974, WAS APPROVED BY AIIC BOARD OF DIRECTORS (INCLUDING FMG APPOINTEES) ON MARCH 31, 1976, AND ALREADY HAS TACIT APPROVAL FEDERAL MINISTRY OF TRADE.

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3. FYI MARCH 31 BOARD MEETING MINUTES WERE FINALLY SIGNED FEW DAYS AGO BY FMG APPOINTED AIEC BOARD CHAIRMAN C. O. AKINDOLIRE. EXTRACT FOLLOWS:

"IT WAS REPORTED THAT A TECHNICAL ASSISTANCE AND CONSULTING SERVICES AGREEMENT BETWEEN AMERICAN INTERNATIONAL INSURANCE COMPANY (NIGERIA) LIMITED (AIECO) AND AMERICAN LIFE

INSURANCE COMPANY (ALECO) CAME INTO EFFECT ON 1ST JANUARY 1974, AND A COPY OF THE SIGNED AGREEMENT WAS PRODUCED FOR THE NOTATION OF THE BOARD.

"IT WAS FURTHER REPORTED THAT THE AGREEMENT HAD PREVIOUSLY BEEN PRESENTED TO THE FEDERAL MINISTRY OF TRADE FOR APPROVAL BUT THAT THE MINISTRY RULED THAT IT WAS AN IN-HOUSE MATTER WHICH COULD BE APPROVED OR REJECTED BY THE BOARD OF THE COMPANY. IT WAS THEREFORE RESOLVED THAT THE AGREEMENT SHOULD BE SUBMITTED TO THE FEDERAL MINISTRY OF FINANCE FOR NECESSARY REMITTANCE APPROVAL.

"IT WAS OBSERVED THAT WHILE THE AGREEMENT IS OF A LONG TERM NATURE, THERE WAS NO PROVISION TO VARY THE COMMISSION TERMS PROVIDED IN THE AGREEMENT. ALIECO WAS THEREFORE REQUESTED AND AGREED TO SUBMIT AN UNDERTAKING IN WRITING THAT THE COMMISSION TERMS IN THE AGREEMENT COULD BE REDUCED IN THE FUTURE IF THE LEVEL OF TECHNICAL ASSISTANCE PROVIDED BY ALICO COULD ALSO BE REDUCED."

EMBASSY POUCHING COPY OF EXTRACT TO DEPARTMENT. END FYI.

4. AMBASSADOR REQUESTED AFOLAB'S ASSISTANCE IN MAKING APPOINTMENT( ) FOR EMBASSY TO PRESENT ARGUMENTS IN 'AIDE MEMOIRE' TO COMMISSIONERS OF TRADE OR FINANCE. AFOLAB SAID HE WOULD MAKE SURE EMBASSY'S DEMARCHE REACHED APPROPRIATE FMG OFFICIALS AND WOULD TEST THE WATERS FOR FOLLOW-UP PRESENTATION LIMITED OFFICIAL USE

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BY AMBASSADOR TO GARBA OR MINISTERS OF FINANCE OR TRADE. HE SAID THAT HE THOUGHT LAST PARAGRAPH OF "AIDE MEMORIRE" WAS HARSH, IMPLYING THAT COMMISSIONERS MIGHT VIEW "AIDE MEMOIRE" AS THREAT WHICH LIKELY TO MAKE EMBASSY DEMARCHE COUNTERPRODUCTIVE. AFOLABI SAID HE THOUGHT ADEQUATE SERVICES AGREEMENT WOULD NOT RPT NOT BE DIFFICULT TO WORK OUT. HE WOULD CONTACT MINISTRIES OF TRADE AND FINANCE AND REPORT BACK TO AMBASSADOR AS SOON AS POSSIBLE.

5. AMBASSADOR ASSURED AFOLABI THAT USG WAS NOT TAKING A POSITION ON THE MERITS OF THE CASE, BUT RATHER POINTING OUT THE OBLIGATIONS OF US LAW AND THE POTENTIAL DAMAGE THAT AN EXPROPRIATION DETERMINATION WOULD HAVE ON NIGERIA'S INVESTMENT CLIMATE. AFOLABI SAID HE UNDERSTOOD BUT THAT HE WOULD NONETHELESS "PLAY DOWN THE LANGUAGE" WHEN DISCUSSING THE "AIDE MEMOIRE" WITH HIS PRINCIPALS. AMBASSADOR RAIDED POSSIBILITY OF THIRD-PARTY ARBITRATION. AFOLABI WAS NON-COMMITTED BUT REMINDED US OF THE ROLE OF THE CAPITAL ISSUES COMMISSION (CEC).

6. COMMENT - MEETING WITH AFOLABI MAY HAVE SERVED PURPOSE OF DIFFUSING POTENTIAL BLOWUP BY PERSENSITIVE FMG SENIOR OFFICIALS OVER WORKING OF "AIDE MEMOIRE." AIEC MANAGING DIRECTOR LAGEVRA WILL DISCUSS VALUATION OF 11 PERCENT SHARE TRANSFER WITH CEC

JUNE 23. HOPEFULLY THIS MEETING WILL RESULT IN CLEARER IDEA  
OF SHARE VALUE, WHICH WILL BENEFIT ANY FUTURE EMBASSY TALKS WITH  
FMG ON COMPENSATION ISSUE.  
EASUM

NOTE BY OC/T: REFERENCE IS INCORRECT.

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## Message Attributes

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